

103<sup>D</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4379

To amend the Farm Credit Act of 1971 to enhance the ability of the banks for cooperatives to finance agricultural exports, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 10, 1994

Mr. DE LA GARZA (for himself, Mr. ROBERTS, Mr. JOHNSON of South Dakota, Mr. COMBEST, Mr. PENNY, and Mr. ALLARD) introduced the following bill; which was referred to the Committee on Agriculture

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## A BILL

To amend the Farm Credit Act of 1971 to enhance the ability of the banks for cooperatives to finance agricultural exports, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Farm Credit System  
5       Agricultural Export and Risk Management Act”.

6       **SEC. 2. REFERENCES.**

7       Except as otherwise specifically provided, whenever in  
8       this Act a section is amended, repealed, or referenced,  
9       such amendment, repeal, or reference shall be considered

1 to be made to that section of the Farm Credit Act of 1971  
2 (12 U.S.C. 2001 et seq.).

3 **SEC. 3. PARTICIPATION DEFINED.**

4 Section 3.1(11)(B) (12 U.S.C. 2122(11)(B)) is  
5 amended by adding at the end the following new clause:

6 “(iv) As used in this subparagraph, the term  
7 ‘participate’ or ‘participation’ means multi-lender  
8 transactions including, but not limited to, syndica-  
9 tions, assignments, loan participations,  
10 subparticipations, or other forms of the purchase,  
11 sale, or transfer of interests in loans, other exten-  
12 sions of credit, or other technical and financial as-  
13 sistance.”.

14 **SEC. 4. AGRICULTURAL EXPORT FINANCING.**

15 (a) Section 3.7(b)(1) (12 U.S.C. 2128(b)(1)) is  
16 amended by—

17 (1) striking “assistance to (A)” and inserting  
18 “assistance to”;

19 (2) striking “the export or” and inserting  
20 “the”; and

21 (3) striking “, and (B)” and all that follows  
22 through “subparagraph (A)”.

23 (b) Section 3.7(b) (12 U.S.C. 2128(b)) is further  
24 amended by striking paragraph (2) and inserting the fol-  
25 lowing new paragraph:

1       “(2)(A) A bank for cooperatives is authorized to  
2 make or participate in loans and commitments to, and to  
3 extend other technical and financial assistance to—

4               “(i) any domestic or foreign party for the ex-  
5 port, including (where applicable) the cost of freight,  
6 of agricultural commodities or products, farm sup-  
7 plies, or aquatic products from the United States  
8 under policies and procedures established by the  
9 bank for cooperatives to ensure that such commod-  
10 ities, products, or supplies are originally sourced,  
11 where reasonably available, from one or more eligible  
12 cooperative associations on a priority basis; and

13               “(ii) except as provided in subparagraph (B),  
14 any domestic or foreign party in which an eligible  
15 cooperative association (as defined in section 3.8)  
16 has an ownership interest, for the purpose of facili-  
17 tating the association’s domestic or foreign business  
18 operations: *Provided*, That if the ownership interest  
19 by an eligible cooperative association, or associa-  
20 tions, is less than 50 percent, then such financing  
21 shall be limited to the percentage held in the party  
22 by such association or associations.

23       “(B) A bank for cooperatives shall not use the au-  
24 thority provided in paragraph (2)(A)(ii) to provide finan-  
25 cial assistance to a party for the purpose of financing the

1 relocation of plants or facilities from the United States  
2 to another country.”.

3 **SEC. 5. CONFORMING AMENDMENT.**

4 Section 3.8(b)(1) (12 U.S.C. 2129(b)(1)) is amended  
5 by—

6 (1) striking subparagraph (B); and

7 (2) redesignating subparagraphs (C), (D), and  
8 (E) as subparagraphs (B), (C), and (D), respec-  
9 tively.

10 **SEC. 6. LOAN PARTICIPATION AUTHORITY FOR FARM**  
11 **CREDIT BANKS AND DIRECT LENDER ASSO-**  
12 **CIATIONS.**

13 Title IV (12 U.S.C. 2151 et seq.) is amended by in-  
14 serting after section 4.18 (12 U.S.C. 2206) the following  
15 new section:

16 **“SEC. 4.18A. AUTHORITY OF FARM CREDIT BANKS AND DI-**  
17 **RECT LENDER ASSOCIATIONS TO PARTICI-**  
18 **PATE IN LOANS TO SIMILAR ENTITIES FOR**  
19 **RISK MANAGEMENT PURPOSES.**

20 “(a) IN GENERAL.—Notwithstanding any other pro-  
21 vision of this Act, any Farm Credit Bank or direct lender  
22 association chartered under this Act is authorized to par-  
23 ticipate in any loan of a type otherwise authorized under  
24 titles I and II made to a similar entity by any person in  
25 the business of extending credit; except that a Farm Cred-

1 it Bank or direct lender association may not participate  
2 in a loan under this section if—

3 “(1) such participation would cause the total  
4 amount of all participations by the Farm Credit  
5 Bank or association under this section involving a  
6 single credit risk to exceed 10 percent (or the appli-  
7 cable higher lending limit authorized under regula-  
8 tions issued by the Farm Credit Administration if  
9 the stockholders of the respective Farm Credit Bank  
10 or association so approve) of the Farm Credit  
11 Bank’s or association’s total capital;

12 “(2) such participation by the Farm Credit  
13 Bank or association would itself equal or exceed 50  
14 percent of the principal of the loan or, when taken  
15 together with participations in the loan by other  
16 Farm Credit Banks and associations under this sec-  
17 tion, would cause the cumulative amount of the par-  
18 ticipations by all Farm Credit Banks and associa-  
19 tions in the loan to equal or exceed 50 percent of the  
20 principal of the loan;

21 “(3) such participation would cause the cumu-  
22 lative amount of participations that the Farm Credit  
23 Bank or association has outstanding under this sec-  
24 tion to exceed 15 percent of its total assets; or

1           “(4) the loan is of the type authorized under  
2           section 1.11(b) or 2.4(a)(2).

3           “(b) SIMILAR ENTITY DEFINED.—For the purposes  
4 of this section, the term ‘similar entity’ means a person  
5 or entity that, while not eligible for a loan from the Farm  
6 Credit Bank or association, has operations functionally  
7 similar to a person or entity eligible for a loan from the  
8 Farm Credit Bank or association in that it derives a ma-  
9 jority of its income from, or has a majority of its assets  
10 invested in, the conduct of activities functionally similar  
11 to those conducted by an eligible person.

12          “(c) PRIOR APPROVAL REQUIRED.—

13           “(1) With respect to a similar entity that is eli-  
14 gible to borrow from a bank for cooperatives under  
15 title III, the authority of a Farm Credit Bank or as-  
16 sociation to participate in a loan to such entity  
17 under this section shall be subject to the prior ap-  
18 proval of the bank for cooperatives having, at the  
19 time the loan is made, the greatest loan volume in  
20 the state in which the similar entity’s headquarters  
21 office is located.

22           “(2) Approval under paragraph (1) of this sub-  
23 section may be granted on an annual basis and  
24 under such terms and conditions as may be agreed  
25 on between the Farm Credit Bank or association, as

1       the case may be, and the bank for cooperatives  
2       granting the approval.

3           “(3) An association may not participate in a  
4       loan to a similar entity under this section without  
5       the approval of the association’s supervising Farm  
6       Credit Bank.

7       “(d) DEFINITION.—For purposes of this section, the  
8       term ‘participate’ or ‘participation’ shall have the same  
9       meaning as provided in section 3.1(11)(B).”.

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